

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

October 23, 2015

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

PSF No.: 14HD-170

HAWAII

Issuance of Direct Lease to Napuu Water, Inc. for Solar Photovoltaic System Site
Purposes, Puuwaawaa, South Kona, Hawaii, Tax Map Key: (3) 7-1-001: portion of 006.

APPLICANT:

Napuu Water, Inc., a Hawaii non-profit corporation.

LEGAL REFERENCE:

Section 171-95, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Puuwaawaa, North Kona, Hawaii,
identified by Tax Map Key: (3) 7-1-001: portion of 006, as shown on the attached
map labeled Exhibit A.

TMK/ DISTRICT/ ZONE/ ENCUMBRANCE/ AREA:

TAX MAP KEY	DISTRICT	ZONING		ENCUMBRANCE	AREA (Acres)
		SLU	CZO		
(3) 7-1-001:006	Puuwaawaaa, North Kona	Ag	Ag	EO 4203: DOFAW-Multi Use, Resource, Cultural, Recreational, and Game Management Area Purposes.	13,046.10
				Grant of Easement No. S-5974; Henk and Akemi Rogers.	(4.776)
				LOD S-28,493; Puuwaawaa Property Owners Association.	(9.049)
				LOD S-27,613; Napuu Water Inc.	(3.148)
				LOD S-27,712; HELCO	(5.415)
				LOD S-28,568; Hawaiian Telcom	(10.133)

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution:

YES _____ NO x

CURRENT USE STATUS:

Encumbered by Governor's Executive Order No. 4203 to Division of Forestry and Wildlife for Multi-Use Resource, Cultural, Recreational, and Game Management Area purposes.

Grant of Easement No. S-5974 to Henk and Akemi Rogers for encroachment easements and vegetation control buffer.

Land Office Deed No. S-27,613 to Napuu Water, Inc., for water pipeline and storage tank site purposes.

Land Office Deed No. S-27,712 to Hawaii Electric Light Company, Inc., for electrical transmission and distribution lines, poles, and anchors purposes.

Land Office Deed No. S-28,568 to Hawaiian Telcom, Inc., for telephone facilities and utility easement purposes.

CHARACTER OF USE:

Right, privilege and authority to construct, use, maintain, repair, replace, and remove photovoltaic array system upon State-owned land.

LEASE TERM:

Fifty-five (55) years

COMMENCEMENT DATE:

The first day of the month to be determined by the Chairperson.

ANNUAL RENT:

Fair market annual rent to be determined by independent appraiser, subject to review and approval by the Chairperson.

METHOD OF PAYMENT:

Semi-annual payments, in advance.

RENTAL REOPENINGS:

At the 10th, 20th, 30th, 40th, and 50th years of the lease term, by staff or independent appraisal.

PERFORMANCE BOND:

Twice the annual rental amount.

PROPERTY CHARACTERISTICS:

Utilities – Only telephone service is available.

Slope - Gentle (0 to 35%)

Elevation - 2,000 feet, more or less.

Rainfall - 30 to 50 inches, annually

SCS Soil Series - Puuwaawaa over pahoe-hoe

Land Study Bureau – University of Hawaii, L.S. Bulletin No. 6, November 1965.

Legal access to property – Staff has verified that there is legal access to the property off of the Old Mamalahoa Highway (Hwy 190).

Subdivision – Staff has verified that the subject property is a legally subdivided lot.

Encumbrances – Staff has verified that the following encumbrances exist on the property:
(list all encumbrances)

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

The Final Environmental Assessment for the subject project was published in the OEQC's Environmental Notice on February 23, 2015 with a finding of no significant impact (FONSI).

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>x</u>	NO
Registered business name confirmed:	YES <u>x</u>	NO
Applicant in good standing confirmed:	YES <u>x</u>	NO

APPLICANT REQUIREMENTS:

Applicant shall be required to:

1. Pay for an appraisal to determine annual rental payment;
2. Provide survey maps and descriptions according to State DAGS standards and at Applicant's own cost;
3. Pay for the costs of public notice pursuant to section 171-16;

4. Process and obtain subdivision at Applicant's own cost;
5. Obtain a title report to ascertain ownership, where necessary, at Applicant's own cost and subject to review and approval by the Department.

REMARKS:

Subject parcel is encumbered under Governor's Executive Order No. 4203 to the Division of Forestry and Wildlife for addition to its Puuwaawaa Forest Reserve.

At its meeting of October 28, 2011, Item D-18, the Board of Land and Natural Resources approved the Amendment and Restatement of Grant of Easement No. S-27,613 to Napuu Water, Inc. (NWI), for water transmission and storage purposes.

By letter dated March 26, 2015, Mr. Michael Donoho, Consultant with Kukui Planning Company, submitted a request on behalf of Napuu Water, Inc. (NWI), for a lease to develop proposed solar photovoltaic array site. NWI, a non-profit, community based and member-owned water system serving the local residents of Puuanahulu, Puu Lani Ranch and adjacent ranching areas of Puuwaawaa. Pursuant to Chapter 269-1, Hawaii Revised Statutes, Napuu Water Inc. falls within the definition of a public utility, therefore may be directly negotiated pursuant to Chapter 171-95.

The proposed installation of the solar photovoltaic array upon a 1.74 acre portion of State parcel will be adjacent to its existing well and the Puuwaawaa Ranch Energy Lab. The land would be used for a ground mounted solar photovoltaic array system consisting of approximately 800 monocrystalline solar panels and a flywheel energy storage system capable of storing up to 400 kilowatt hours of energy. The energy facility would be ancillary to servicing the water well and would help reduce its reliance on fossil fuel energy and reduce pumping cost for water. The cost of electric power usage is expected to be cut by approximately half, with savings being passed on to the utility's customers in the immediate area, as well as those in Puuanahulu.

Currently, there are no alternatives for a higher and better use. The proposed use will fully utilize the requested lands.

Napuu Water, Inc., has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

During the environmental assessment process, various government agencies and interest groups were solicited for comments. No objections were received from the respondents. The Final Environmental Assessment was published in the OEQC's Environmental Notice on February 23, 2015, with a finding of no significant impact.

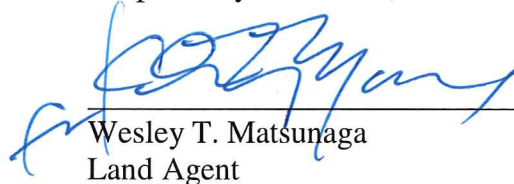
The Division of Forestry was consulted and has indicated that it is in concurrence to the

proposed request.

RECOMMENDATION: That the Board:

1. Find that the public interest demands the issuance of this direct lease to Napuu Water, Inc. for Solar Photovoltaic System Site purposes.
3. Subject to the Applicant fulfilling all of the Applicant requirements listed above, authorize the issuance of a direct lease to Napuu Water, Inc. covering the subject area under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - A. The standard terms and conditions of the most current lease document form, as may be amended from time to time;
 - B. Review and approval by the Department of the Attorney General; and
 - C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



Wesley T. Matsunaga
Land Agent

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson





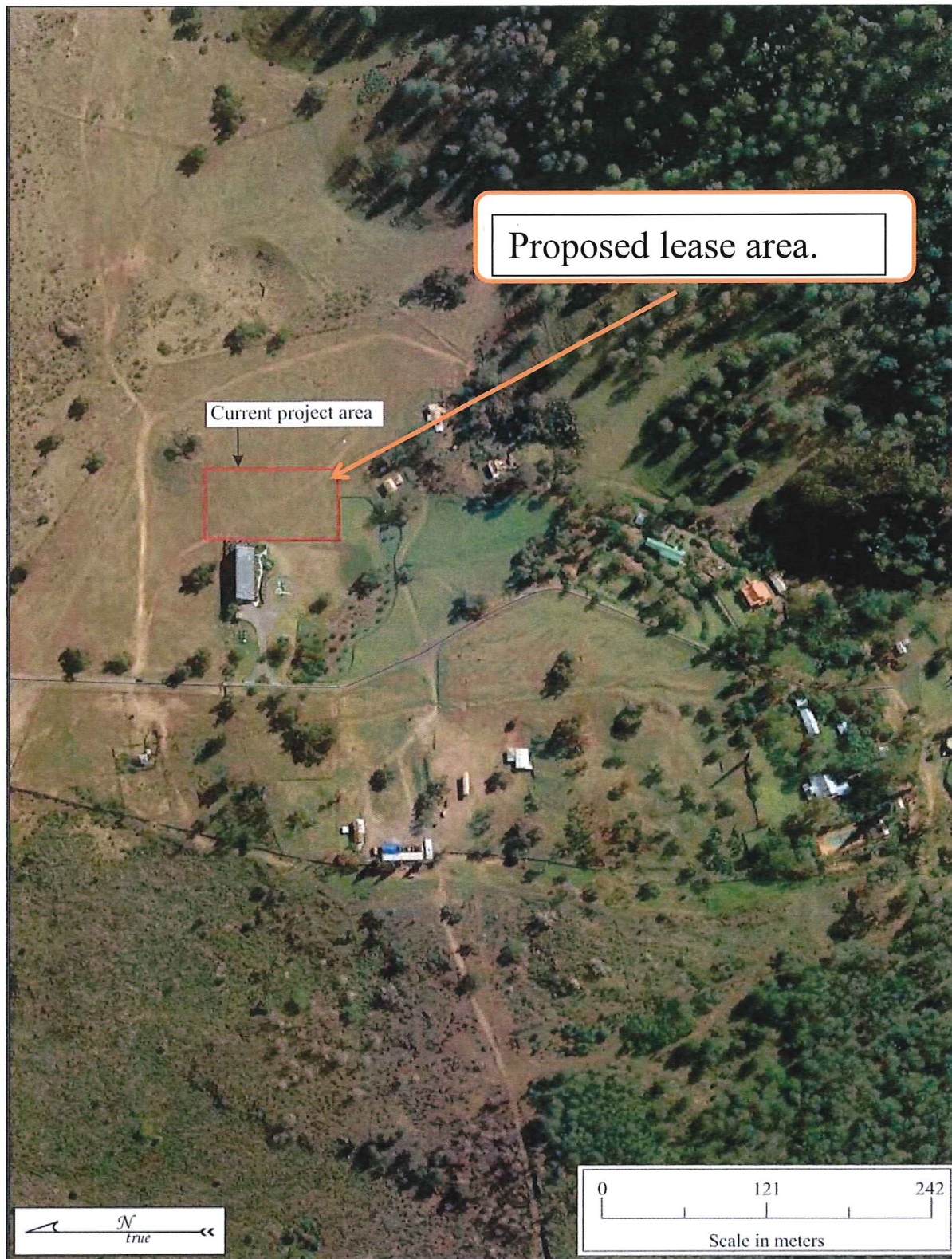


EXHIBIT A

Proposed Lease Area

Figure 4. Site Plan

